

Proposed transmittal letter to accompany a bill, "To amend laws relating to Federal personnel and their dependents to take into account the Territory of Alaska having become a State of the Union."

My dear Mr. Speaker:

There is forwarded herewith a draft of legislation "To amend laws relating to Federal personnel and their dependents to take into account the Territory of Alaska having become a State of the Union", together with a section-by-section analysis thereof.

The President recommended in his 1960 Budget Message that, where necessary, changes should be made in Federal laws "to apply to Alaska the same general laws, rules, and policies as are applicable to other States." The proposal is designed to apply this policy to Federal personnel and their dependents in Alaska. Special account has been taken, however, of the substantially higher costs of living in Alaska. Provision has been made to continue additional compensation and per diem allowances in Alaska so that Federal employees may receive compensation reasonably comparable with salaries paid by non-Federal employers in Alaska for the same or similar work.

Section 1 of the proposed legislation would amend section 207 of the Independent Offices Appropriation Act, 1949, as amended, which now authorizes additional compensation to Federal employees stationed outside the continental United States or in Alaska whose rates of basic compensation are fixed by statute. The amendatory language would (a) permit employees in Alaska to continue to receive additional compensation based on conditions of environment which differ substantially from those in other States, (b) limit the amount of additional compensation based on conditions of environment to 25 percent of the rate of basic compensation, and (c) remove the limit on additional compensation which may be paid for differences in costs of living in Alaska. Employees in other areas outside the United States would continue to be able to receive additional compensation, not to exceed 25 percent of their basic compensation, for differences in costs of living and conditions of environment combined as they do now. Payment of additional compensation in Alaska and elsewhere would remain subject to regulation by the President.

The difficult employment situation in Alaska, resulting from high costs of living, competition in the labor market, high wage rates and, at some posts, notably unfavorable environmental conditions, continues to be of serious concern to the military and civilian agencies. The Civil Service Commission conducted a survey in the fall of 1957, in connection with its annual review of Territorial cost-of-living allowances required by Executive Order 10000, and found that the cost of living in Juneau was 42 percent higher than in the District of Columbia,

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in Anchorage 57 percent higher, and in Fairbanks 67 percent higher. Using the State Department's criteria for measuring hardship factors overseas, at least eight posts in Alaska would merit post differentials ranging from 10 to 25 percent. Two of those posts are within the Arctic Circle, two are near the Bering Straits, one is in the Aleutian Islands and the others are also geographically isolated.

The amendments in section 1 of the proposed legislation would authorize payment of fair amounts of additional compensation in Alaska to meet actual differences in living costs and amounts, up to 25 percent of basic compensation, to induce personnel to accept assignments in areas of Alaska where conditions of environment differ substantially from those in other States. Adoption of the proposed language is recommended to provide for adequate staffing in Alaska of continuing Federal programs. Authority to provide adequate compensation on the above proposed basis would also make it feasible and reasonable to terminate other special benefits which are now available to personnel in Alaska.

We believe that the additional compensation for enlisted military personnel in Alaska should also be continued. Therefore, no change is recommended in section 206 of the Act of October 12, 1949, as amended (37 U. S. C., sec. 237), which provides additional compensation for enlisted personnel of the uniformed services outside the continental United States or in Alaska.

In keeping with the same principle, it is proposed, in sections 2(c) and 8, that per diem allowances in Alaska remain on the same basis as at present. Sections 2(c) and 8 of the proposal would merely clarify the language of section 5 of the Administrative Expenses Act and section 3 of the Travel Expense Act to provide that the \$15 and \$12 maximum per diem allowances, allowed under those laws, respectively, would continue to apply to the States of the Union, except Alaska, and the District of Columbia. Employees in Alaska could continue to receive per diem allowances prescribed by the Director of the Bureau of the Budget which more fairly meet the higher costs of living in the State of Alaska.

The remaining provisions of the proposed legislation amend personnel laws in keeping with the general principle that Alaska be treated like other States. For example, section 2(a) would clarify sections 1 and 7 of the Administrative Expenses Act to provide that new appointees would no longer be compensated for transportation expenses in connection with moving themselves, their families and their households and personal effects to Alaska or back to residences in the other States. Nor would employees in Alaska be entitled to free transportation for themselves and their immediate families in connection with "home leave" in the other States. Such appointees and employees would, of course, continue to receive benefits available to personnel in other States.

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Continuation of the special benefits relating to moves to Alaska, free travel for home leave, and home leave itself would carry the implication that Alaska remains an overseas post where Federal employees are expected to serve only a tour of duty. Such an implication is believed to be incompatible with the position of Alaska as a full and equal member of the Union. It is also believed that action to provide adequate cost-of-living allowances, as provided in section 1 of the proposal, and to continue adequate per diem allowances, would eliminate the need for such fringe benefits as an incentive for recruitment and retention of personnel in Alaska.

Subsections (b), (d), and (e) of section 2 of the proposal merely eliminate or clarify language made superfluous by the amendment proposed in subsection (a). Section 3 of the proposal also merely clarifies the Act of June 5, 1936, relating to personnel in the Virgin Islands, to include Alaska in the term "continental United States". Those amendments do not, in themselves, affect employee benefits.

Other fringe benefits would be eliminated under the proposed legislation. Those include the right to make allotments from pay, benefits accruing in the event of an employee's death or a dependent's death, additional leave, the receipt of personal supplies and subsistence on a reimbursable basis, and the furnishing of military transportation in connection with travel for home leave. In each case, employees in Alaska would be placed on the same footing as those in other States.

The proposal would also extend the Federal Employees Pay Act of 1945 and the Performance Rating Act of 1950, to cover native employees in Alaska paid in accordance with local prevailing wages, and would require certain insurance companies selling group policies under the Federal Employees' Group Life Insurance Act of 1954 to be licensed in Alaska as well as all other States. Finally, a law relating to Coast Guard enlistments would be amended to provide for detention of personnel beyond the term of enlistment on the same basis in Alaska as in the other States.

The Comptroller General, in decision B-137245, has ruled that the provisions of the Annual and Sick Leave Act of 1951, as amended (5 U. S. C., sec. 2062(d),(e)), which authorized accumulations of 45 days of annual leave by certain employees, instead of the usual 30 days, and leave-free travel time in connection with "home leave", no longer apply to employees in Alaska since they apply only to persons stationed "outside the several States and the District of Columbia". Thus, employees in Alaska are now on the same basis as those in other States in that respect. Similarly, a number of sections of Title 10 of the

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United States Code which provided special benefits to civilian and military personnel of the military departments while Alaska was a Territory automatically ceased to apply when Alaska became a State. No action is proposed to restore such fringe benefits.

The final section of the proposal, section 15, would continue in effect any outstanding employment agreements concluded pursuant to sections 1 and 7 of the Administrative Expenses Act of 1946. Those agreements, which are in the nature of contracts, provide for payment of transportation expenses to and from Alaska for new appointees in return for a commitment by the appointee to serve a specified period of time in Alaska.

The Bureau of the Budget urges early and favorable consideration of the legislative proposal transmitted herewith.

Sincerely yours,

Director

Attachments